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11 JAN 1961

MEMORANDUM FOR: Deputy Director (Plans)

SUBJECT : Pay and Allowances to Mr. Francis G. Powers

Pursuant to your request, a check has been made of the pay and allowances accruing to Mr. Francis G. Powers. The study is set forth in a question and answer format for the sake of clarity and also to provide replies to what could be specific inquiries from highly placed officials outside the Agency.

1. QUESTION: How much was the Agency paying to Powers prior to May 1?

ANSWER : Under his contract, Powers received the following pay and allowances:

- a. Operational duty overseas: \$1500 per month.
- b. \$500.00 monthly additional salary while the individual is performing or is on call to perform activities contemplated by the contract (i.e., overflights).
- c. Post differential: in Powers' case, \$250 monthly (10%).
- d. \$500.00 monthly to be accrued as a bonus for faithful performance of the contract and subject to divestment for cause. This amount will be paid within a four-year period from termination of contract and the specific date of payment is at the sole discretion of the Agency.
- e. In addition to above payments, individual may accrue up to 90 days leave time and receive this in lump sum payment at expiration or termination of contract.
- f. Quarters were being furnished on 1 May in lieu of \$200 monthly which would be due if wife were not overseas with subject.
- g. The Agency also paid health, hospitalization and life insurance benefits for the individuals under these contracts.

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2. QUESTION: How much of above pay and allowances are being paid to beneficiaries and what is being done with the balance?

ANSWER : Powers' wife is presently receiving \$500 per month. All other pay and allowances that existed at the time of his 1 May flight are held in escrow by the Agency.

3. QUESTION: Under what authority has CIA established the above arrangements?

ANSWER : The arrangements are based strictly on a contractual obligation. In Mr. Powers' contract, there is a precise stipulation that "in the event you are determined to be missing in service, benefits will be paid in accordance with Agency Regulation on this subject which will be in accordance with the Missing Persons Act." The Agency Regulation is 20-67. In accordance with this regulation, the Director of Personnel, at the request of DPD, made a determination to place Mr. Powers in the category of a missing person. Under this regulation, which in turn cites the Missing Persons Act, a person determined to be in such a status "will have committed to his account the same pay and allowances to which he would be entitled were he in an active duty status and will be continued for the duration of the individual's missing status and his rights thereto will be unaffected by the termination of his agreed term of service.

4. QUESTION: Powers' contract terminates November 1960; does this mean all payments continue regardless of the termination date?

ANSWER : Yes, under the terms of the Missing Persons Act as cited above.

5. QUESTION: Under what circumstances may the Agency unilaterally abrogate the contract?

ANSWER : The contract specifically states that it may be terminated by the Agency at any time for cause based on misconduct, willful failure to follow instructions or abandonment of obligations under the contract or in the event the activities contemplated are discontinued. Therefore, under the terms of the contract, there has been no reason advanced permitting the Agency to unilaterally abrogate its obligations.

6. QUESTION: The total amount above which is in excess of \$30,000 per year has been known to have shocked people because of its alleged generosity. How does this payment compare with payments of personnel involved in similar activities?

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ANSWER: The personnel selected for this program had to qualify under very rigid standards making it necessary to present an attractive offer. The duties the individuals were called upon to perform were extremely dangerous and were required under a continuous period and as directed by the project concerned. In addition, the individuals so selected were aware that should any mischance befall them, as happened in the Powers case, there could be no protection on the part of the U. S. Government. Having knowingly and willingly engaged in espionage they would have to suffer the consequences as ordered by the laws of the state which might take them captive. On the other hand, military personnel who might be subject to capture, such as the RB-47 crew, would have to be treated not as spies but as uniformed officers of the U.S. (It should be noted that under the Missing Persons Act all pay and allowances which were in effect for the RB-47 crew continue in effect in the same manner as Powers.)

7. QUESTION: Are the two \$500 payments considered bonuses, and if so, would not the basic salary have been sufficient?

ANSWER : The basic salary for overseas duty is in reality \$2,000 per month. This figure is broken down into a \$1,500 payment and a \$500 payment. The reasoning behind the additional \$500 payment was that, once overseas, a pilot could be asked to fly any number of overflights required by the project, whether it be once a month or twenty times a month. This served to distinguish performance of the activities contemplated by the contract from the comparatively safe Stateside duty. The contract provided for an additional \$500 per month over and above the \$2,000 per month. This \$500 was intended as a bonus and would only be paid upon satisfactory completion of the term of the contract. The \$500 monthly is accrued on the books of the Agency. If a pilot violated his contract, e.g., either by refusing flights or demanding return to the States for personal convenience, the \$500 monthly accrual would not be paid. The contract provides that the Agency, at its sole discretion, may pay the accumulated sum on satisfactory completion of the contract or over a four-year period thereafter. This provision was primarily for the benefit of the pilot to meet his possible personal needs in adjusting to a lower income and was to gain him some tax savings by payment over a longer period.

8. QUESTION: What is the Agency doing with the pay and allowances over and above the \$500 monthly paid to the pilot's wife?

ANSWER : Powers' total salary and allowances is \$2,784.99 per month. Of this, the Agency is holding \$737.00 monthly for income tax payments which will be constructed at the time of his release and paid to IRS, \$34.99 monthly for insurance, and \$500 monthly (Paragraph 1, d). This \$500 is a constant accrual on the books and is not invested in any way.

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The balance of \$1,013 is invested in a savings account controlled by the Agency. Of this, \$500 accrues on a monthly basis and is invested once a year (as a \$6,000 item). The remaining \$513 is invested monthly.

It should be noted that as of the time Powers was downed the Agency had accrued moneys of his amounting to \$19,000 and regardless of any future decisions relative to his pay and allowances this amount represents money earned and due prior to 1 May.

9. QUESTION: What happens to the sums involved when Powers regains his freedom?

ANSWER : Upon Powers' return to the States, subject will be debriefed by various components of the Agency including TSD, CI Staff, Office of Security, and operational components. If, in the opinion of the debriefing committee, subject has any obligation to the Agency or has committed any crime, a board of inquiry will be invoked to look into the entire case. This board of inquiry chaired by Deputy DDS and consisting of members of DD/P, Medical Staff, Office of Security and Office of General Counsel will make a full determination in order to protect Agency and U.S. interests and at the same time render a decision as to our obligations to the individual. Only after a decision has been rendered will any of the escrow payments be made to the individual.

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STANLEY W. BEERLI
Colonel, USAF
Acting Chief, DPD

CONCUR:

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Office of General Counsel

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MEMORANDUM FOR: THE DIRECTOR

You asked for our comments on the statement setting forth Powers' compensation status which DD/P sent you. We had some questions and, accordingly, the statement has been re-done and is now full and correct. The changes were mostly technical and minor but the main one is to describe the second \$500 payment (par. 1.d.) as a bonus, which in fact it is.

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General Counsel

12 January 1961

(DATE)

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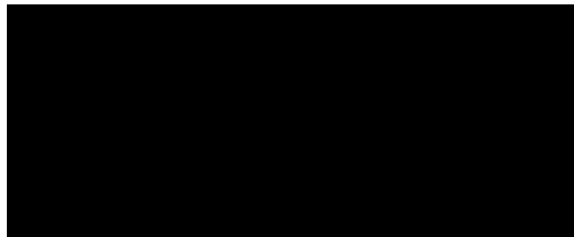
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